House of Representatives

General Assembly **File No. 489**

February Session, 2016 Substitute House Bill No. 5480

House of Representatives, April 6, 2016

The Committee on Planning and Development reported through REP. MILLER, P. of the 36th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE ESTABLISHMENT OF A LOAN FUND TO REMEDIATE BLIGHTED PROPERTIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective July 1, 2016*) (a) For the fiscal years ending June 30, 2017, June 30, 2018, and June 30, 2019, the Secretary of the Office of Policy and Management shall establish a housing revitalization program in distressed municipalities, as defined in section 32-9p of the general statutes, and in municipalities directly eligible to receive a community development block grant pursuant to the provisions of 42 USC 5301 et seq. The purpose of the program shall be to provide to persons who own residential property within such municipalities loans for the purpose of making home repairs, including, but not limited to, installing siding or other exterior finishes, replacing windows and replacing or repairing furnaces and roofs. Any available funds for the program shall be divided equally among the eligible municipalities.

(b) The chief executive officer of each eligible municipality that participates in the housing revitalization program shall designate a municipal officer or employee to administer the program. Such administrator shall make such loans available to persons who own residential property in census tracts (1) in which twenty-five per cent or more of individuals or families have income below the poverty level, as determined by the most recent United States census, as officially updated by the appropriate state agency or institution, and (2) identified by the municipality as suitable for the program. Any such loan shall be repaid by means of a special assessment placed on the residential property.

(c) To receive a loan pursuant to the housing revitalization program, applicants shall submit an application to the administrator on a form approved by the secretary together with any documentation required by the administrator demonstrating that the applicant meets the eligibility criteria set forth in subsection (b) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2016*	New section

PD *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 $	FY 18 $
Policy & Mgmt., Off.	GF - Cost	At least 90,000	At least 90,000
Comptroller Misc. Accounts (Fringe Benefits)[1]	GF - Cost	At least 36,000	At least 36,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 17 $	FY 18 $
Various Municipalities	Cost	Potential	Potential

Explanation

This bill requires the Office of Policy and Management (OPM) secretary to establish, and municipalities to administer, a three-year housing revitalization program in certain municipalities.

Due to the potential number of eligible participants, OPM may have to hire at least one person to administer such a program at a cost of approximately $126,000 annually ($90,000 for base salary and $36,000 for fringe benefits.

Some municipalities may also incur costs associated with additional personnel, as it is anticipated that most municipalities do not currently have employees with experience as lenders. These costs would likely vary based on the number of program participants in a given municipality, and the salary ranges set by a given municipality.

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 39.94% of payroll in FY 17 and FY 18.

The bill does not provide a funding source for the program, or appropriate any funds for the program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sHB 5480

AN ACT CONCERNING THE ESTABLISHMENT OF A LOAN FUND TO REMEDIATE BLIGHTED PROPERTIES.

SUMMARY:

This bill requires the Office of Policy and Management (OPM) secretary to establish a three-year housing revitalization program open to distressed municipalities and Community Development Block Grant (CDBG) entitlement communities (see BACKGROUND).

EFFECTIVE DATE: July 1, 2016

HOUSING REVITALIZATION PROGRAM

The OPM secretary must establish a housing revitalization program for FYs 17 through 19. The bill specifies that available funding must be divided equally among eligible municipalities, but it does not identify a funding source or appropriate any funds.

Program's Purpose

Participating municipalities must use the funds to make loans to property owners for home repairs, including:

1. installing siding or other exterior finishes,
2. replacing windows, and
3. replacing or repairing furnaces and roofs.

Eligible Loan Applicants

Under the bill, a property owner is eligible for a loan if he or she owns residential property in a census tract (1) in which 25% or more of individuals or families have income below the poverty level based on the last census, as updated by the appropriate state agency or institution, and (2) identified by the municipality as suitable for the program. (Presumably, a property owner must use the loan to make repairs to the property that makes him or her eligible for a loan, as opposed to another property he or she owns in an ineligible census tract.)

Application Procedure

Each participating municipality's chief executive officer must designate a municipal officer or employee to administer the program. Property owners must apply to the designated administrator for a loan on an OPM-approved form and provide any documentation the administrator requires to prove eligibility.

Special Assessment

Property owners who receive a loan must repay it through a special assessment on the property that made them eligible for the loan. The bill does not specify how (1) delinquent assessments are to be treated or (2) funds the municipality receives through the special assessments are to be used.

BACKGROUND

CDBG Entitlement Communities

The federal Department of Housing and Urban Development (HUD) provides funding for community development projects through the CDBG program. HUD provides grants directly to “entitlement communities” on a formula basis. In Connecticut, entitlement communities are municipalities with a population of at least 50,000. In 2016, these are Bridgeport, Bristol, Danbury, East Hartford, Fairfield, Greenwich, Hamden, Hartford, Manchester, Meriden, Middletown, Milford, New Britain, New Haven, New London, Norwalk, Norwich, Stamford, Stratford, Waterbury, West Hartford, and West Haven.

Non-entitlement communities must compete to receive CDBG money through the state’s Small Cities Program, which the state Department of Housing administers.

Distressed Municipalities

The Department of Economic and Community Development commissioner annually scores and ranks municipalities based on demographic and economic distress criteria and designates the 25 municipalities with the highest scores as distressed (CGS § 32-9p). The criteria include per capita income, poverty rate, unemployment rate, change in population, and the percentage of housing units built before 1939. The commissioner can also designate a municipality as distressed for two years if it suffers a major plant closing, relocation, or layoff.

The most recent distressed municipalities list (2015) includes Ansonia, Bridgeport, Bristol, Derby, East Hartford, Enfield, Griswold, Hartford, Killingly, Meriden, Naugatuck, New Britain, New Haven, New London, North Canaan, Norwich, Plymouth, Preston, Putnam, Sprague, Stafford, Torrington, Waterbury, West Haven, and Windham.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute
Yea 11 Nay 9 (03/18/2016)